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ABSTRACT

Student grant assistance in New York is examined from the perspectives of its evolution and growth and the state's response to the federal Basic Grants program. It is claimed that the Scholar Incentive and Regents awards represented a large share of the expenditures that all states devoted to need-based student aid. The federal government used the New York student loan program, established in 1958, as a model for its own Guaranteed Student Loan program. The Scholar Incentive awards were replaced with the more generous Tuition Assistance Program (TAP) beginning in 1974-75. TAP increased the maximum award, from \$600 under Scholar Incentive to \$1500. Also, lower division undergraduates became eligible to receive TAP awards equalling full tuition charges, eliminating the Scholar Incentive \$200 self-help provision for these students. TAP awards were increased in both public and private sectors, but students in private colleges and universities received the biggest hike. The legislation authorizing TAP also eliminated an income test for the receipt of a Regents award and reduced those scholarships to a flat \$250. Further, students could no longer qualify for both a TAP and a Regents award. The contribution of the federal State Student Incentive Grant program and the Basic Educational Opportunity Grant program to student aid in the state are considered. New York's efforts to coordinate eligibility criteria, aid administration, award adjustment, and alternatives for coordinating TAP with Basic Grants are discussed. (SW)

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STUDENT GRANT ASSISTANCE IN NEW YORK

New York State has a long and commendable record of initiating and supporting social programs that eventually become models for the nation. This paper concerns one of many such achievements -- New York's efforts that began more than a half century ago to aid its college students with grant assistance.

The paper has two parts. Part I discusses the evolution and growth of New York's student grant programs which now provide the State's 9 percent share of college enrollment with about \$260 million, or nearly one-third of all grants available through states. Part II addresses the State's response to the federal Basic Grants program which now spends close to \$200 million in New York alone.

I. New York's Tradition in Student Assistance

In 1913 New York introduced its prestigious Regents Scholarship Program to identify and honor its ablest high school seniors and to support them in college. Thus began the State's long tradition in student aid, one marked by a movement from merit awards for students to awards based primarily on financial need. New York's experience mirrors a later national shift from student assistance programs which help to meet manpower needs to those which seek to enhance equal opportunity for higher education. In 1950, New York introduced an income test for its Regents awards, a change undoubtedly designed to recognize the increasing diversity of the State's student population including those students who would be enrolling in the new State University system.

The State took another step toward need based grants in 1961 when it began the non-competitive Scholar Incentive Plan as a complement to the competitive Regents Program. Under both programs, students from the lowest income families received maximum awards -- \$500 in Scholar incentive and \$1,000 in the Regents Program -- and awards fell as family income rose. Under the Regents program a minimum grant of \$250 went to families with net taxable incomes of \$9,300 or more, while at the outset all Scholar Incentive applicants could receive a \$100 minimum award, regardless of family income. Scholar Incentive became still more need related in 1970, when students from families with net taxable incomes above \$20,000 (approximately \$25,000 gross income for a family of four) could no longer receive the \$100 minimum award.

Both Scholar Incentive and Regents awards were tuition related and only available to state residents enrolling full-time in New York's public and private colleges and universities. There was no portability of grants to out-of-state institutions. Graduate students could only qualify for Scholar Incentive awards while undergraduates could receive both, although the combined Scholar Incentive/Regents payment could not exceed tuition. The Scholar Incentive maximum was tuition minus \$200 in order to insure that some self-help would be forthcoming from recipients. Students enrolled in New York City's colleges and universities were ineligible for either type of award because these institutions charged no tuition until the 1976-77 academic year.

Throughout the 1960's and into the early 1970's, the growth in student grants both reflected and affected enrollment trends in the state. During this time, full time equivalent enrollment in the state university system quadrupled, CUNY students doubled, and the private sector grew by half.

This difference in growth obviously led to shifts in enrollment shares. The private sector fell from over 50 percent in 1964 to less than 40 percent in 1974.

The number of Regents awards is set in legislation and during the 1960's the legislature increased the program's authorization in recognition of the growing college age population. By 1970, the number of awards had risen to almost 70,000 with expenditures of over \$25 million, approximately double the size of a decade earlier. In the early 1970's, the legislative ceiling remained relatively constant. The share of Regents' winners in the private sector fell from 50 percent in 1969-70 to 40 percent in 1972-73, reflecting continuing overall enrollment shifts during those years.

Unlike the Regents program, Scholar Incentive was an entitlement with no predetermined legislative limitation on the number of awards. Instead, all eligible applicants received the award amount to which they were entitled under law.

By 1969-70 when Scholar Incentive was less than a decade old, the program was aiding 220,000 students at a cost of \$36 million. By 1972-73, program expenditures rose by one third to \$48 million reflecting an increase in the maximum award to \$600, but the number of recipients barely increased despite a continuing enrollment growth in the State. Elimination from eligibility for the minimum \$100 award of students with family income above \$20,000 explains the leveling in the number of awards during this time.

In 1973, the Keppel Commission, an independent group named for its chairman, Francis Keppel, former U.S. Commissioner of Education, issued a report that stressed the inadequacy of the \$600 Scholar Incentive maximum award for current college costs. Of equal concern was the rough parity in

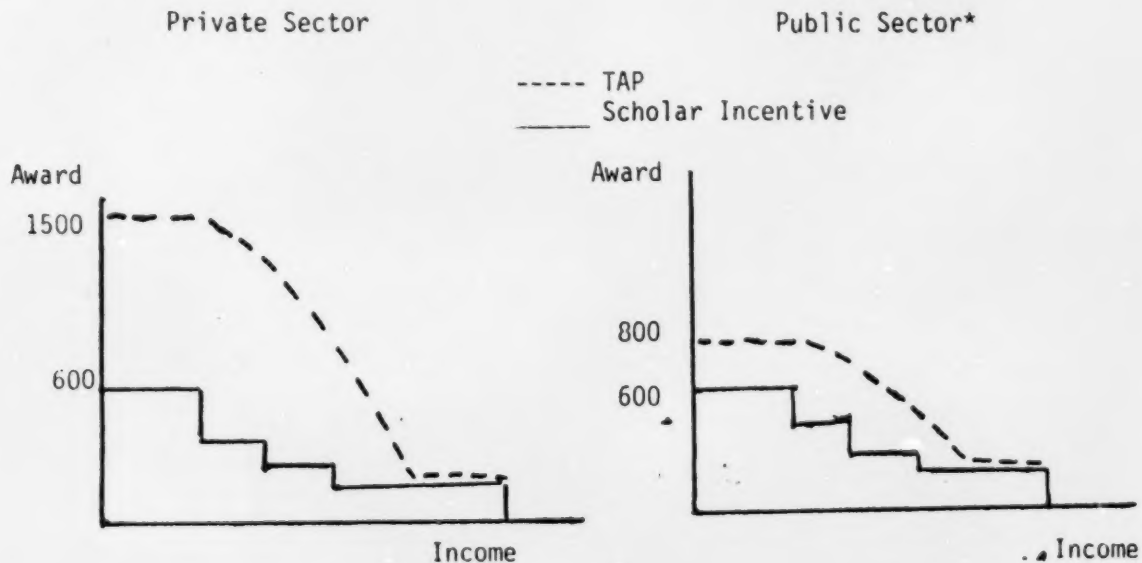
the size of awards students in the public and private sectors despite the large differences in tuition charges. In 1972-73 the average Scholar Incentive award in the public sector was \$206 while in the private sector it was only \$243. Between 1969-70 and 1972-73 the percentage of recipients in the private sector fell from 50% to 40%. Earlier, private institutions had dominated higher education in the State and received therefore the lion's share of the State's student grants. The Scholar Incentive program, with little recognition of tuition differentials, appeared to have the effect of inducing enrollments in the heavily subsidized public sector and shifting enrollments from the private sector.

To address these two concerns, the Keppel group recommended a substantial increase in the maximum award sufficient to meet total tuition costs in the public sector and a larger proportion of these costs in the private sector. The Commission thought that such a change would improve access while also creating a more competitive balance between the two sectors.

The Keppel Report laid the foundation for the authorization of the Tuition Assistance Program (TAP) in May of 1974. The Keppel group thus joined a number of specially appointed New York commissions that over the past few decades had issued reports resulting soon thereafter in major changes and new programs. The deliberate expansion of the State University system in the 1960's and the creation of the Scholar Incentive program were both the result of the Heald Committee report in 1960, and direct state payments to private institutions followed the outline of the Bundy Committee's report in 1967.

TAP replaced the Scholar Incentive program beginning in 1974-75, and represented another new step in New York's move over a quarter century towards need-based student assistance. TAP increased the maximum award, from \$600 under Scholar Incentive to \$1500. Also, lower division undergraduates became eligible to receive TAP awards equalling full tuition charges, eliminating the Scholar Incentive \$200 self-help provision for these students. With the prevailing tuition levels, eligible students at most private institutions could qualify for the \$1,500 maximum, while students in the public sector received far smaller awards. Perhaps now TAP would help to shift enrollments back into the private sector.

The graphs below show how the award formula in TAP differed from the Scholar Incentive program in public and private institutions. Awards were increased in both sectors, but students in private colleges and universities received the biggest hike. The typical public sector award rose by \$200 - \$300; the increase for private sector awards ranged from \$500 to \$1000.



*Assuming \$800 in tuition

The legislation authorizing TAP also eliminated an income test for the receipt of a Regents award and reduced those scholarships to a flat \$250. Further, students could no longer qualify for both a TAP and a Regents' award. Finally, the legislation created a new state agency, the Higher Education Services Corporation (HESC), to administer TAP, Regents' awards, guaranteed loans, and a dozen more specialized state aid programs ranging from Cornell University scholarships to nurses' loans. Prior to 1974, the State Education Department was in charge of student assistance.

The State Education Department in New York -- the operating arm for the Board of Regents -- is a highly visible and influential agency responsible for all facets of education in the state as well as related functions such as licensing for professional groups. The transfer of responsibility for student aid programs reflected the belief that student assistance had become so large, so complex, and so different from other education functions that it merited a separate administrative agency. The shift also indicated some dissatisfaction with the Education Department in its handling of Scholar Incentive.

TAP retains many features of Scholar Incentive. TAP is an entitlement. Awards are not portable to out-of-state institutions. Expected family contributions are derived from information reported on the New York State income tax form. Students with family income of around \$5,000 or less receive the maximum award while others find their awards reduced (although TAP introduced a graduated schedule for reduction of awards whereas Scholar Incentive had a notched schedule). Students from families with net taxable incomes less than \$20,000 continue to be guaranteed a minimum award if they apply for TAP regardless of their expected family contribution. And graduate students remain eligible for TAP, although they receive a maximum of only

\$600 in keeping with the old Scholar Incentive schedule.

While the Keppel influence is obvious, the design of TAP diverges from the Keppel recommendations in several major ways. First and most obvious, TAP only considers tuition costs -- the Keppel group recommended including all costs of attendance in the award calculation. This tuition-only approach rests on the notion that a program which seeks to achieve a competitive equilibrium between the public and private sectors should deal solely with the principal difference in price -- namely tuition. The amount of grant assistance available through TAP -- measured as a percentage of total costs of attendance -- also falls far short of the Keppel group's proposal.

Second, student eligibility for TAP differs from several Keppel suggestions. TAP awards are not available to part-time students, and only to a small percentage of all full-time proprietary schools students. The Keppel task force urged that all, not just some, New York residents in postsecondary education should have a financial guarantee that extends to a broad range of the state's institutional options. Also, Keppel and colleagues suggested a separate student aid program for graduate students, which did not happen.

Finally, the Keppel group strongly recommended that the state awards take into account the newly-established federal Basic Grants that some students would receive. They went so far as to suggest that the state maximum award be raised to the \$3,000-\$4,000 range with a student's Basic Grant check sent directly to the state. Thus far, however, New York's effort to coordinate TAP with BEOG has been minimal. The TAP legislation and subsequent regulations merely require that a student's TAP award, in combination with other forms of grant assistance, cannot exceed the

total cost of attendance. But for a student receiving TAP and BEOG awards and no other form of grant assistance, this rule for coordination has no impact as the maximum TAP and BEOG awards, taken together, always fall short of total costs. A Basic Grant cannot exceed one-half of costs of attendance and TAP cannot exceed tuition. In the public sector, TAP awards do not exceed \$1,000 and the maximum BEOG will be about \$1,300, below total costs of attendance. With private sector costs generally above \$5,000, the combined BEOG/TAP maximum is well below costs.

Expenditures for TAP mushroomed in the first few years of its existence, and now appear to be levelling off, as the table below shows.

Grants and Scholarships in New York State

	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u> (est.)	<u>1978-79</u> (projected)
Expenditures (in millions of dollars)						
TAP	\$ 52	\$ 79	\$110	\$185	\$221	\$244
Regents	28	24	22	20	19	19
Other*	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total	\$ 83	\$106	\$135	\$208	\$243	\$266
Number of Awards (in thousands)						
TAP	221	236	265	365	355	360
Regents	65	65	67	65	66	66

*These other awards include: child-of-veteran awards, Cornell University scholarships, war veterans' awards, awards for children of those who died in the Attica riot, and several specialized graduate scholarships and fellowships.

**New York also waives tuition costs (net of TAP award received) for a limited number of students in the State University system.

Several reasons account for the rapid growth of TAP in its early years. First, the new higher TAP award formula was phased in one class at a time so that expenditures would rise each year as each new class of students became eligible for the higher award schedule. While the phase-in was in progress, each new class raised expenditures by at least \$20 million per year. By 1977-78, all classes of undergraduates were eligible for the higher award schedule. Second, when CUNY imposed tuition in the midst of the New York City financial crisis, tens of thousands of students immediately became TAP eligibles, adding approximately \$50 million in 1975-76 to the TAP price tag. Finally, officials misestimated the number of emancipated students and the number of students in proprietary schools who would eventually be eligible for TAP, adding another \$10 million to the original cost projections.

The decline in Regents' award expenditures between 1973-74 and 1977-78 reflects the phase out of the \$1,000 maximum award. By 1978-79, all students received the \$250 Regents' flat award; slightly more than 40 percent of the recipients went to private institutions. Present law authorizes almost 19,000 new awards per year to high school seniors. The four year total of Regents' awards -- 66,000 in 1977-78 -- is below full authorization because of attrition.

The growth in TAP expenditures, although it was predictable, prompted concern among policy-makers who were battling the effects of recession coupled with a severe fiscal crisis in the State. In early 1977, the Wessell group, an independent commission appointed by the Governor, issued its report which recommended several ways to curb TAP expenditures, including elimination of the \$100 flat awards for students not qualifying under the need criteria, a more stringent award reduction schedule for emancipated

students (whose income is regarded the same as family income), and a more explicit coordination of TAP with BEOG.

The Wessel group also called for some expansion of TAP. The Commission recommended a \$1,800 maximum grant to reestablish the original differential in public and private sector awards and to recognize continuing increases in college costs. The group also recommended that some of the cost savings gained from other recommendations be used to include part-time students in TAP, thus broadening the range of opportunities for New York residents.

State officials in the governor's office, the Regents, the Bureau of the Budget, Higher Education Services Corporation, and the legislative branch all had ideas for revising TAP, mostly in ways that would reduce its cost. But this year as the fiscal crisis eased in New York and the spectre of an election loomed, the Governor and Legislature both recommended two cost increases for the program -- raising (as the Wessell Commission suggested) the maximum award to \$1,800, and lifting the minimum award to \$200. These two modifications will cost the state upwards of \$30 million.

Still, New York State's expenditures for student assistance could be much larger if TAP awards were available to certain groups of students whom other states consider eligible for grant aid. For example, 15 states presently make grants to part-time students (generally defined as half-time or more for student aid purposes). If New York provided aid to its 300,000 part-time students, expenditures for TAP could under reasonable assumptions increase by as much as \$50 million. In addition, every year over 150,000 New York State residents attend institutions outside of the State. If New York were like the handful of other states which provide at least partial portability of their grants to out-of-state institutions, it is

easy to see how TAP expenditures could increase by \$25 million or more. Finally, limiting TAP to tuition costs alone can be viewed as a constraint on spending, for if the TAP award formula took into account other costs of attendance, program expenditures would probably increase.

During the first five years of TAP, the share of awards going to different types of students has shifted -- in some cases the shift has been dramatic, as the total below shows:

Distribution of TAP Dollars to Different Types of Students
(In Percent)

	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u>
<u>Students</u>					
Private sector	36	42	47	38	43
Proprietary School	2	4	8	7	9
Graduate	13	9	7	4	3
Self-supporting	13	19	27	22	25

The increase in the proportion of grant dollars for the private sector, from 36 percent in 1973-74 to 47 percent in 1975-76, was due to the phase-in of the \$1,500 maximum award. The decline in 1976-77 to 38 percent can be traced to the instant TAP eligibility of CUNY students beginning in that year. Shifts in the distribution of TAP awards also occur because of the design of the program itself. With no change in the maximum award, there is an inevitable shift in the share of TAP aid away from the private sector. A fixed TAP maximum does not reflect tuition increases in that sector, whereas each increase in public sector tuition results in a hike in TAP awards. Therefore, in 1977-78 when the TAP maximum award rose to \$1,800, the private sector share once again increased.

The share of TAP awards for graduate students declined dramatically -- from 13 percent in 1973-74 to 3 percent in 1977-78 -- not only because they

were a smaller proportion of total enrollment, but also because graduate students continued to receive the old Scholar Incentive maximum of \$600. Self-supporting students -- who now receive one-quarter of TAP dollars -- have been a particularly troublesome group in TAP, both in terms of eligibility and the determination of their award levels. (See pp. 18-19 of this paper for more details). Students in proprietary schools receive close to 10 percent of all TAP funds, up from 2 percent in 1973-74. Their share rests on which proprietary institutions are deemed eligible for TAP and on their pricing policies which are usually set at levels high enough for TAP eligibles to receive the maximum \$1,800 award. (Much of the audit efforts in TAP have been aimed at selected proprietary schools).

New York Among the States

During the 1960's few states provided need-based grants, and those that did reached only a small percentage of eligible students. So Regents' and Scholar Incentive awards, from the first, represented a large share of the expenditures that all states devoted to need-based student aid.

In addition to its long record of making grants to students, New York was a pioneer in providing loans to students. The federal government used the New York student loan program, established in 1958, as a model for its own Guaranteed Student Loan program authorized in the Education Amendments of 1965.

The table below demonstrates New York's continuing commitment to student assistance and its sizeable share of all state grant activity even as other states augmented their funding for student assistance. Replacement of Scholar Incentive with the more generous TAP insured that New York remained

far and away the leader among states in spending for student grants. New York's hegemony in student aid sometimes distorts national data on state grant programs. For example, of the \$141 million increase in state grants between 1975-76 and 1976-77, one third can reasonably be attributed to the imposition of tuition at CUNY and the resulting increase in TAP expenditures. In that one year New York's share of total state grant assistance went from one-quarter to nearly one-third, so the following table must be read with that fact in mind.

State Expenditures for Need-Based State Grants

	<u>1971-72</u>	<u>1973-74</u>	<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u>
New York as a percentage of all states	25	21	25	32	31
Total - all states (in millions of dollars)	\$269	\$364	\$510	\$651	\$746

Source: Joseph Boyd's Annual Survey

Clearly, as the table indicates, overall state effort increased during the last five years, but some states unlike New York stood relatively still in their funding of student grants. For example, Pennsylvania's state grant program, one of the largest, has been on a plateau for the past four years.

New York's financial leadership in student assistance cannot be attributed merely to the size of its student population. California with several hundred thousand more students spends 66 percent less on student aid. On a per capita basis New York ranks first in its student aid financial commitment; in 1976-77, the TAP expenditure per undergraduate FTE student was \$339. Several characteristics of TAP account for New York's large expendi-

tures on student grants. New York is one of few states that has a grant program with an open-ended entitlement. The state appropriates all funds necessary to cover awards for eligible applicants. Most other states have a fixed appropriation, so awards must fit the level of funding. The entitlement feature in New York, the relatively high maximum TAP award, and a fairly liberal needs test all combine to make a high percentage of New York's college population eligible for grants.

SSIG

In 1977-78, New York received approximately \$6 million as its share of funds from the federal State Student Incentive Grant program -- (SSIG) -- still another federal effort patterned on New York's long experience in student aid. SSIG is primarily intended to induce more states to develop and expand need-based student aid programs. For New York and other states with large investments in student aid, SSIG serves as a categorical revenue sharing program that helps to offset a small percentage of state program costs. In the case of New York, the following facts make this point clear:

- SSIG provides approximately 2 percent of New York's TAP expenditures or \$6 million. For more than a dozen states with relatively new state scholarship programs, the federal share from SSIG is 50 percent of total program expenditures.
- New York receives less than 10 percent of all SSIG funds, while its share of all state student programs is more than 30 percent.

Under these circumstances, it is not surprising to discover that SSIG hardly affects the TAP operation. New York provides awards on an entitle-

ment basis, adds up the total funds needed to meet its commitments, then uses the federal SSIG payment as an offset to state funds. New York rightly perceives little incentive from SSIG to augment its need-based program. Further, if the federal government imposes regulations for receipt of SSIG funds that are contrary to present TAP procedures, it is likely that New York would forego its SSIG allocation rather than comply with such regulations. For example, a SSIG requirement that aid must be available to students attending all accredited non-profit institutions would be contrary to the present TAP prohibition from including religious institutions. Another sticky possibility would be a requirement in SSIG that states must make their grants available to residents attending out-of-state institutions. The potential costs of these rules to New York State, as well as the legal and constitutional considerations, would most probably lead New York to withdraw from SSIG.

II. TAP and Basic Grants

Of the 310, 000 undergraduates who received a TAP award in the academic year 1977-78, approximately 200,000 also received a federal Basic Grant.* Yet few if any of these joint recipients found their TAP award altered in any way as a result of receiving a BEOG.

This section discusses the reasons for this apparent lack of coordination between TAP and BEOG, examines what effects this has on grant assistance to New York students, and presents several alternative approaches which New York and other states might wish to consider.

TAP and BEOG have grown together. When TAP became law in 1974, BEOG was in its first year of operation. Admittedly, Basic Grants started slowly. The Congress appropriated only \$122 million for the program's first year, 1973-74: and not all of these funds were spent; only full-time freshmen were eligible and the maximum award was less than \$500, although the program authorized a \$1,400 maximum. But even then it was obvious that Basic Grants would soon become the principal federal student aid program, one that would eventually aid hundreds of thousands of New York's needy students.

Since its enactment, Basic Grants have grown twenty fold. In 1978-79 the program will spend more than \$2 billion. Close to \$200 million in Basic Grants will flow to students in New York institutions this year and of this amount, some 60 to 70 percent to TAP recipients.** Even with this large infusion of federal money, New York is one of the only states

*TAP recipients who do not receive a Basic Grant generally are students from families with income above the Basic Grant eligibility levels, or families with high assets.

**BEOG recipients who do not receive TAP are generally out-of-state residents, part-time students, or self-supporting students who do not qualify for TAP.

that spends more on grants to its residents than the federal government now provides to them through Basic Grants. In 1977-78, TAP and Regents' expenditures for undergraduates exceeded \$225 million.

TAP and BEOG share some important and unique characteristics. In both programs, all eligible students who apply receive an award. Few other state programs and no other Title IV federal student aid program work on an entitlement basis. Like BEOG, TAP is designed to be the first source of aid available to students. Most states, and the federal government, too, assume that Basic Grants is the foundation. TAP and BEOG each have their own and quite different application forms and methods for determining family contributions; most other states use the forms and standard procedures of the national needs analysis services. In both programs applications are centrally processed by computers and according to rigid formula.

The simultaneous growth of TAP and BEOG and the similarities in their design and purposes prompt a natural concern about coordination of these state and federal efforts. It is highly unlikely that Basic Grants -- which is intended to be the first source of aid available to the student -- will ever adjust its benefit schedule to reduce duplication with state awards. It is equally unlikely that the federal government for reasons of comity can or would be willing to mandate state practices in the awarding of state grants.

It seems unreasonable for New York -- with all of its financial worries -- ~~slightly~~ ^{slightly} to disregard an important source of funds for its students in calculating the awards for its own student aid program. Why shouldn't

New York, like so many other states, allow Basic Grants to supplant scarce state resources? The answer is not clear, but pride, sense of tradition, real and perceived differences in the goals of TAP and BEOG all play some role in conditioning New York's response to Basic Grants.

Coordination can take one of several forms. It can entail the integration of eligibility criteria, administrative procedures, or award formulas. New York's efforts to coordinate along each of these dimensions are now discussed in turn.

Eligibility Criteria. A number of variables serve to define a student's eligibility for aid, including: family financial circumstances, dependent or independent status, full- or part-time enrollment, and standing of institution. States vary greatly in their rules for eligibility. Similarly, BEOG eligibility criteria are at odds with the eligibility rules of most states. As a result, one notion of coordination is to achieve a synchronized set of student and institutional eligibility rules, both among the states and between the states and the federal government.

TAP and BEOG for all their similarities, currently vary a great deal in defining their respective eligible populations. BEOG has been primarily focused on low and moderate income students, TAP stretches much further up the income scale. BEOG takes into account the assets of the family, TAP does not. BEOG is available to part-time students and to students attending a wide range of non-traditional institutions. TAP is not. TAP, and not BEOG, provides assistance to graduate students. New York at this time shows no inclination to change its standards for TAP eligibility in order to conform with BEOG ?

Originally, TAP used measures of emancipation similar to those in federal

student aid programs -- the student could not be claimed as a dependent for income tax purposes and could only receive limited financial support from parents. But the state soon discovered that this was expensive because the TAP award schedule was so generous for students considered to be self-supporting. In an effort to cut costs for TAP, New York responded with a more restrictive definition of emancipation, resulting in a separate and rather complicated form commonly called "the green monster." These developments, in the summer of 1976, led to a tremendous backlog of applications that could only be processed manually. This also resulted in a number of students qualifying as self-supporting for federal student aid purposes but not so in New York, or vice versa. One wonders why New York simply didn't make its self-supporting award schedule less generous while retaining a common definition for emancipation.

Administrative. Practitioners of student financial aid usually focus on coordinating the administration of programs. They are concerned with such matters as common application forms, common data elements, uniform tests of need, and processing of applications. Lack of administrative smoothness is a recurring problem in student aid, and many consider the coordination of procedures by the federal and state government as a necessary step for reducing complexities and delays for students. Also, with coordinated administrative procedures, they feel that other types of coordination might ensue.

In the first few years of TAP, the Higher Education Services Corporation was beset by administrative problems such as inaccessibility to computer facilities and hastily mandated requirements like the "green monster" form for emancipated students. These difficulties often delayed the processing

of applications for a period of several months at the beginning of each academic year for thousands of students. Wide press coverage of these administrative problems left HESC with a black eye that still persists despite recent, marked improvements in the delivery of awards.

In shifting responsibility for student aid to the Corporation, legislators sought to foster a simplification of the application process, especially to cut down on the number of application forms. The Governor and the legislature continue to express interest in simplifying the aid process.

Now that its administrative nightmare has receded, the Services Corporation seems anxious to decentralize the BEOG application process, so students can apply for both TAP and BEOG through the submission of the TAP application form. In the words of the Corporation, "Allowing full decentralization of BEOG application processing as opposed to decentralized data capture (Multiple Data Entry) would allow explicit coordination of TAP and BEOG in New York". But little progress toward this objective has been made because of the reluctance of federal officials to relinquish full control over the BEOG application process.

It appears certain that administrative issues will continue to dominate discussions of student aid as practitioners* attempt to get a handle on the growing amount of dollars devoted to student aid at the federal and state levels. What is generally ignored in these discussions, however, is the issue of why New York, unlike other states with large student aid commitments, does not take into account the size of a student's Basic Grant in its calculation of the TAP award.

* The financial aid officers in New York, an extremely active group, have also developed a plan to improve the application process for student aid in the state.

Award Adjustment. The present TAP award procedure barely recognizes the existence of BEOGs. TAP legislation and subsequent regulations require that TAP and all other student entitlement programs including BEOG, Social Security, ^{and} Veterans' benefits must exceed all costs of attendance before the TAP award will be reduced. New York state officials are quick to point out that the combination of TAP and BEOG can never exceed total costs, and so, in their view, there is no reason to reduce the TAP award to reflect the receipt of a Basic Grant. A student with no family contribution attending a public institution with a tuition of \$800 would receive at most \$2,200, less than the total costs of attendance at such an institution. The same student attending a private sector institution would receive a maximum TAP/BEOG award of \$3,400 (\$1,800 in TAP, \$1,600 in BEOG), well below the average costs of attendance at such institutions. Thus, although there is no explicit coordination between TAP and BEOG, the current design of each program combines to prevent any student from receiving more than the costs of attendance through a combination of the two grant awards.

Grant assistance may exceed total costs if other forms of grant assistance are also available to the student. For example, if veterans benefits are considered as grant assistance, then a number of veterans (perhaps several thousand in New York) receive total grants that exceed their costs of attendance. (See Susan Nelson's paper, pp. 15-21, for a further discussion of this particular form of over-awarding, especially Table 2, p.21).

The real coordination in New York appears to occur at institutions where financial aid officers consider how much TAP and BEOG assistance an applicant will receive in deciding whether a student needs campus-administrated assistance: federally-funded supplemental grants; scholarships from institutional resources, and self-help in the form of work-study or loans. As

long as aid officers are careful to consider these other sources of aid, overawarding -- defined as assistance exceeding costs -- should not occur. (Mr. Kershaw discusses institutional coordination at greater length in his paper).

Since institutions are in effect coordinating BEOG and TAP through their own procedures for distributing other types of student aid, and BEOG and TAP combined do not exceed total costs, there would appear to be little reason for New York to adjust its TAP awards to accommodate BEOG.

But the current state practice of delegating responsibility for coordination to the institutions can lead to two distinct problems -- one is an overawarding of grants for low income recipients and the other is a double counting of family contributions for students further up in the income scale.

Overawarding is a loosely used term, but generally it means that either a student is receiving aid in excess of costs or too large a proportion of costs in the form of grant assistance. Institutional coordination should prevent all forms of aid from exceeding total costs, but it is helpless in preventing a combination of TAP, BEOG, and other entitlement grant assistance from exceeding a "reasonable" percentage of costs.

New York seems to have no objection to providing all student assistance in the form of grants, particularly since it removed the \$200 self-help requirement when shifting from Scholar Incentive to TAP. Further, the design formulas of BEOG and TAP, with no more than half of the costs met through BEOG and no more than tuition met by TAP, prevent the combined awards for students in the public sector from ever exceeding total costs of attendance. In the private sector, the current maximum awards in both programs serve as a constraint on the percentage of costs that can be met.

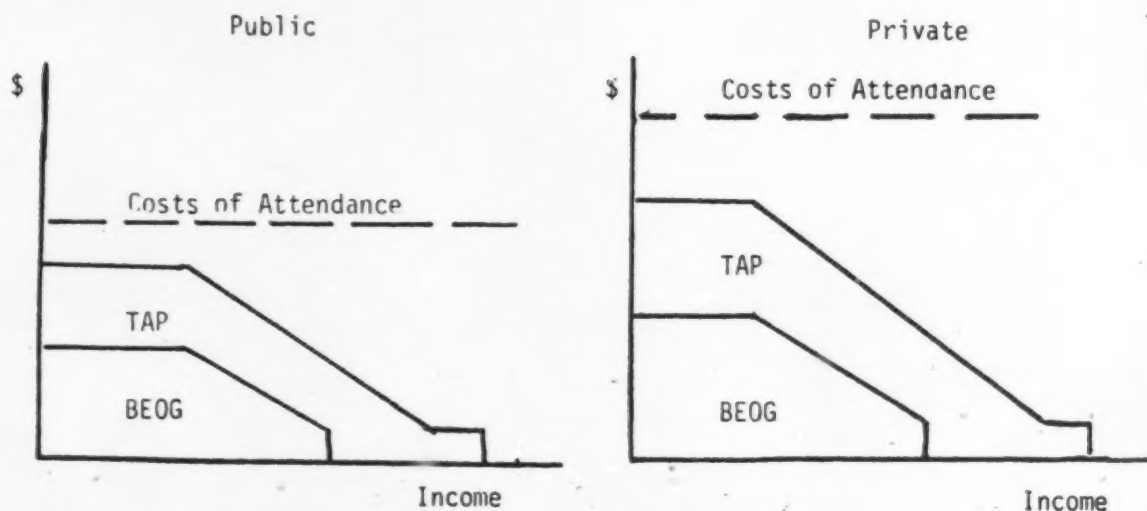
through grant assistance.

But the fact remains that many joint TAP/BEOG recipients have a rather high percentage of their needs filled through these two grant programs; institutional aid officers are unable to intercede. In public institutions, the percentage of costs met through a combination of BEOG/TAP can easily be 70-80 percent, as the table in the next page demonstrates. Low-income students at private institutions can have more than 60 percent of their costs met through grants.

A major drawback to changing current practices is that low-income TAP recipients would be the group most adversely affected since they are the students who have the highest percentage of costs met through grant assistance. Yet, this is the very group of students which New York, for so many decades, has been trying to assist. They are students who often attend public institutions and have their Basic Grants reduced through the imposition of the half-cost limitation on awards; hence as long as BEOG continues its half-cost provision, New York and other states may wish to avoid any coordination scheme that reduces state awards for students affected by the BEOG half-cost limitation.

Lack of coordination of BEOG and TAP poses still another problem for students with moderate family incomes, those that receive less than the maximum award in each program. Such recipients discover that as their family income rises, their award in each program is reduced. Thus, they face a double deceleration of awards. This is analogous to the high cumulative marginal tax rates and work disincentive issue that is a large part of welfare reform debates. The ensuing graphs and tables demonstrate the effects of cumulative award reduction. For example, as family income rises

from \$10,000 to \$15,000, the combined TAP/BEOG award falls by \$1,000, much more than the reduction called for in either program.



TAP and BEOG Awards (by Gross Family Income)						
	\$5000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000
Public Sector (Tuition of \$900, Total Costs of \$3000)						
TAP Award	900	650	300	200	200	0
BEOG Award*	1300	900	250	0	0	0
TAP/BEOG	2200	1550	550	200	200	0
Percent of Total Costs	73%	52%	18%	7%	7%	0%
Private Sector (Tuition of \$3000, Total Costs of \$5500)						
TAP Award	1800	1550	1200	700	200	0
BEOG Award	1600	900	250	0	0	0
TAP/BEOG	3400	2450	1450	700	200	0
Percent of Total Costs	62%	44%	26%	13%	4%	0%

* For purposes of BEOG award calculations, non-tuition costs are set at \$1,500 in the program regulations.

In the next few years the scope of the Basic Grants will be changing. In 1978-79, the Basic Grant maximum amount will rise to its full authorization of \$1,800. The next year, 1979-80, will see a change in the family contribution expectation with the result that students with family incomes of \$25,000* will find themselves eligible for a BEOG, up from the \$15,000* limit that now applies. With these changes, TAP and BEOG will become quite similar in the populations that they serve and in the size of awards which they provide.

New York's response to these changes in the Basic Grant program will be interesting to watch. Will it continue to focus its coordination at the institutional level, or will New York decide to intercede by recognizing Basic Grants in the calculation of the TAP award?

* Eligibility for Basic Grants depends on many financial and demographic characteristics of the family other than income including family size, number of children in college, assets of the family and student. The \$25,000 figure refers to a family of average size with one child in college and an average amount of assets. Families in different circumstances will have a different income cutoff.

Alternatives for Coordinating TAP with Basic Grants

States vary widely in the ways they determine the size of a student's award. Do they recognize only tuition or all costs of attendance? What is the maximum award? How are family financial circumstances considered? What percentage of a student's need is met through the state grant? States respond to these questions in different ways, and their answers determine how easily the BEOG can be incorporated into state award procedures.

The type of state award procedure most conducive to coordination with BEOG is one which considers total costs of attendance, subtracts the family's contribution, then fills some portion of the remaining need with a state grant. With such a procedure, a student's BEOG can be viewed as just one more resource available to the student. The BEOG award can therefore be subtracted from need in determining the size of the state grant. The example below shows how such a procedure would work if a state decided to fill one-half of the need remaining after the family contribution and the student's BEOG are taken into account, up to a maximum state award of \$1500.

Cost of Attendance	\$3,000	\$4,000	\$6,000	\$6,000
Family Contribution	-0-	1,000	1,000	2,000
BEOG	1,500	800	800	-0-
Need Remaining after Family Contribution and BEOG	1,500	2,200	4,200	3,000
State Award	750	1,100	1,500	1,500

When state award procedures differ from the model described above, they typically are less adaptable to coordination with BEOG. In the case of New

York, the tuition-only feature of TAP raises the issue of what proportion of the Basic Grant can reasonably be attributed to tuition. Put another way, under the current TAP formula, adding a student's BEOG to the family contribution would essentially disqualify the entire population from TAP eligibility since the combination of BEOG and family contribution would exceed the TAP maximum, which is lesser of tuition or \$1,800. On the other hand, if Basic Grants were transformed into a program aimed at meeting non-tuition costs -- as some have suggested -- then there would be an easy coordination between tuition-only TAP and a non-tuition BEOG.

In contemplating different ways that TAP could be coordinated with BEOG, one must also remember the historical and political context of student aid in New York. When Basic Grants became law, New York had been in the student aid business for sixty years. The State was not inclined therefore to change its tried procedures to accommodate the new, untried federal program. This attitude persists despite the maturation of Basic Grants.

Unlike New York, most states do not have nearly as strong a commitment to their own state award procedures. Indeed, for the more than twenty states which started their programs after the enactment of BEOG, it is only natural to design the state program to allow for a student's receipt of a Basic Grant. In addition, most states also have an award procedure that recognizes the total costs of attendance. In such states, the Basic Grant award can be readily included as a resource for educational expenses along with the family contribution in the calculation of a student's need. New York, with its long and independent tradition in student aid combined with a student grant program that does not recognize all costs of attendance, is therefore in a unique position. No other state faces this combination of historical and structural obstacles to coordination with Basic Grants.

It is possible, however, that further growth of Basic Grants and the continuing need to economize at the state level will force New York to revise its current attitude toward coordination. If New York were willing to overlook its historical role and decide to coordinate its program with BEOG, what alternatives does it have for adjusting TAP awards? Four are suggested below. Each alternative can be assessed on how well it addresses the two problems of non-coordination which were previously discussed: 1) too high a percentage of grant assistance relative to costs, and 2) the double deceleration of awards.

1. Status Quo - Under the current design of BEOG and TAP, awards are implicitly coordinated. Financial aid officers can then make sure that total aid stays within total costs. But a high percentage of costs continue to be provided in the form of grants to some lower income students and middle income students remain doubly penalized as family income rises.

2. Flat Awards. TAP could be transformed into a flat award so that awards did not vary with family income, although they could vary with the amount of tuition charged. Massachusetts presently has such a program where needy students receive \$300 for attending a public institution and \$900 at a private institution regardless of family income.

A flat award procedure would correct the double deceleration situation since award size would only be reduced for family contribution in the case of Basic Grants. The overawarding concern could be addressed by setting the flat award below current maximums, for example, \$1,400 at a private institution and \$700 in the public sector. Such a reduction would also help to keep program expenditures in line with current levels. With flat awards at the level suggested here, low income students would have their combined awards reduced by several hundred dollars from current levels. Awards for most middle income students would rise since family contribution would no longer be subtracted from the TAP maximum award.

3. Percentage of Costs Limit. The present coordination rule which permits TAP and BEOG to equal costs could be changed so that a TAP/BEOG could not exceed a percentage of costs. For example, TAP/BEOG could be limited to 70 percent of costs; the remaining 30 percent would have to be filled by parental contributions, other grant aid, or student self-help. This alternative is clearly aimed at the overaward issue, and its principal effect would be to lower the combined grant levels for the neediest students. It would do little to resolve the double counting of family contribution for moderate income students.

4. Total need. TAP could be transformed into a program that fills a portion of a student's need after family contribution and BEOG have been subtracted from total costs. For purists who worry that TAP is for tuition only, the new award could never exceed tuition. The example on p. 26 is illustrative of how such a program might work (although in that example no tuition-related limit is assumed.)

This type of approach would correct both of the problems of non-coordination. First, it explicitly limits the portion of costs met by grants, and thereby addresses the problem of overawarding. Second, family contribution is counted only once in the calculation of a combined BEOG/TAP award. Which students benefit or lose from such a change depends on what percentage of remaining need is covered by the TAP award. As a general rule, the higher the percentage of need that is covered, the better low income students do relative to current practice. Thus, if TAP covered 90 percent of the need remaining after family contribution, low income students as well as students in private institutions would most probably see their awards rise. The shifts in terms of winners and losers would also depend on the level of the maximum award. Of course, the higher the percentage of need covered and the higher the maximum award, the greater the program costs will be.

The alternatives discussed above assume that the Basic Grants program continues in its present form: assistance for total costs of attendance with a limitation on payment equalling one-half of costs. If the Basic Grants' design were altered, however, to a program for non-instructional costs with no half-cost limitation, then the issue of coordination in New York would be instantly resolved. TAP would continue to help students meet tuition charges, while BEOG would be the principal source of assistance for all other costs. Of course, with such a change in Basic Grants, other states would be forced to reconsider the ways in which they coordinate with BEOG.

Some Concluding Remarks

~~There can be little doubt that grant assistance in New York is helping a great many students finance their undergraduate college education.~~ TAP awards reach over 60 percent of undergraduate New York residents attending institutions within the state, and Regents winners account for another 15 percent. That means over three-quarters of the relevant population is receiving at least \$200 in state grant assistance. About half of the recipients are receiving TAP awards in excess of \$500. This would suggest that New York goes a long way toward helping its students gain access to some form of postsecondary education. Basic Grants adds another dimension to access as it provides the most needy students at public institutions with a maximum award of approximately \$1300.

As for choice among different types of institutions, a student from a family of moderate income can expect to receive at least \$500 more in TAP when attending a high-priced institution. The same student will also receive a Basic Grant which generally will be between \$500 - \$800 higher at private sector institution than in a public university or community college. A student from a family with no financial contribution of its own thus would receive up to \$1,500 more in BEOG/TAP awards at Cornell than on a State University campus. This suggests that the program design in both TAP and BEOG appear to help narrow the difference in costs between the public and private sector for students with financial need.

But many changes are in store for New York. Basic Grants will be expanding both in its maximum award and its income eligibility for awards. New York has also recently authorized a tax credit/tax deferral plan of its own (another example of the State's role as innovator). These changes may have a major impact on New York students, and TAP's role or scope may change as a result.